



## ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY

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To: Members of the House Energy Policy Committee

From: Association of Businesses Advocating Tariff Equity (ABATE)

RE: Comments regarding HB 4303

Date: June 3, 2015

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Thank you for the opportunity to share ABATE's recommendations for amendments to HB 4303, which would expand Michigan's natural gas infrastructure. As introduced, ABATE opposes the legislation, but with amendments ABATE could support it.

HB 4303 is substantially the same as HB 5555 from last Session. During that legislative cycle, ABATE did raise concerns regarding the economic feasibility of the gas infrastructure expansion into currently unserved or underserved areas, given the high cost of extending such infrastructure. ABATE recommended changes to that legislation and is recommending the same amendments to HB 4303. A copy of last session's HB 5555 with ABATE's proposed changes is attached for reference and serves as a guide for the changes needed to HB 4303.

ABATE's concerns include:

1. The areas involved generally are unserved or underserved because it has not been economic to do so (i.e., the revenues secured from providing gas service would not recover the investment and costs incurred to provide the service). Thus, as introduced HB 4303 would subsidize the uneconomic expansion by raising the rates of the other gas customers. ABATE's amendments would require that the additional rates be borne by the beneficiaries of the extended gas service until the investment was recovered if it would take more than 7 years to recover the investment under normal ratemaking. The charge to the beneficiaries could not exceed the annual savings achieved by the beneficiaries.

2. HB 4303 creates another separate accelerated rate recovery mechanism that does not consider whether the utility's existing rates are already sufficient to cover the cost of the expansion of service. Any rate increases should occur in a general rate case where all costs and all revenues are reviewed. Otherwise HB 4303 could provide for rates increases even when a utility is already earning over its authorized level. ABATE's amendments provide for rate changes to occur in a general rate case.

With these amendments, a more economically feasible case can be made for the expansion of Michigan's natural gas infrastructure that still delivers benefits to the unserved/underserved areas while balancing out cost concerns for ratepayers.